

# Trends in Employer Value-Based Purchasing Activity

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## Who are employer purchasers?

- Purchasers of public and private health insurance have a major role in shaping health care delivery.
- Employer purchasers include:
  - Self-insured large employers, often multi-state
  - State and other public employee purchasing groups
  - Mid-sized fully and self-insured employers
  - Fully insured small employers
  - Employer coalitions

## What concerns employer purchasers?

- Cost, cost, cost, cost, access, cost, quality, cost, cost and cost.
- Why? Employers have had their premiums annually grow by two-to-three times the rate of inflation *for decades*.

## How have purchasers been reacting to cost growth?

- Most Employers
  - Cost-shifting to employees
  - Moving to “defined contribution”
  - Dropping coverage
- Leading Employer Purchasers
  - Incenting and supporting health behavior change
  - Advancing payment and delivery system reform
- Employers have generally been acting on their own or through coalitions without state involvement, although some states have tried to support efforts through insurance regulation and transparency investments.

## Incenting and Supporting Health Behavior Change

- State of Tennessee Employee Benefit Program
  - Allows members to choose from two different insurance options, with a significant financial incentive to choose a plan that requires member engagement (Partnership PPO).
  - About 80% of members chose the Partnership PPO and are required to:
    - Complete a biometric screen every two years
    - Complete a Health Risk Assessment
    - Engage in one wellness activity
      - Age and gender-appropriate wellness activity (e.g., mammogram)
      - Wellness challenge (e.g., work-based weight loss program)
      - Create a well being plan
  - In addition, tobacco users must enroll in a cessation program
  - At-risk members must:
    - Complete a biometric screen annually
    - Enroll in a disease management or case management program

## Incenting and Supporting Health Behavior Change

- Incentives for health behavior change can also be built into the plan design.
- For example, the employee earns contributions to a health investment account (or HSA) for:
  - completing an HRA
  - participating in a wellness program
  - participating in a care management program
  - achieving a health improvement goal

## Four Purchasing Strategies

1. Tiered and select networks
2. Value-based benefit design
3. Empowering employees with information
4. Risk-based contracting with providers

## Tiered and Select Networks

- **Tiered Networks:** providers are classified into tiers, usually based on measures of efficiency and quality. Consumers pay a higher cost share for providers deemed to be less efficient (or costly) and/or of poorer quality.
- **Select or “Limited” Networks:** providers are classified as “in” or “out” of a network usually based upon on measures of efficiency (or cost) and quality.

## Tiered Networks: Massachusetts Group Insurance Commission

- The Massachusetts Group Insurance Commission phased in tiers between 2004 and 2009.
  - hospital-tiered networks created in 2004
  - physician networks created in 2007
  - additional physician specialties were tiered in 2009
- Each plan allowed to design its own tiering methodology based on aggregated GIC data.
- Tier copay differentials across all plans are (too) modest (i.e., \$10-\$15 differential between tiers).

## Select Networks: Massachusetts Group Insurance Commission

- The GIC has had select networks for many years, but enrollment was historically low.
- In 2011, the GIC required re-enrollment and offered a 3-month premium holiday to any worker who elected one of six select networks.
  - The GIC estimated savings of \$800 for individuals and \$1,700 for families.
- 31% chose a select network

## Value-Based Benefit Design

- Guiding concept is varying member financial incentives to services based on the “value” of the service.
- Primarily implemented with pharmacy co-pays for chronic illness medications
- Less common examples: health education classes, minimally invasive procedures, “medical step therapy”

## Empowering Employees with Information

- Some insurers are introducing tools to aid employees with high deductibles.
- For example: United’s “My Healthcare Cost Estimator”
  - Provides enrollees with comparative cost information for treatments and procedures as provided by different providers in different settings
  - provides side-by-side quality data for providers.
  - The member can see the total cost of the procedure by provider, his or her out-of-pocket costs associated with each alternative, the components of the out-of-pocket costs, and how much of his or her deductible remains. The deductible information is current as of claims paid the day the member is accessing the website.

## Risk-based Contracting with Providers

- Risk-based contracting allows a purchaser to contract directly with a provider and pay one fee for a set of services for a covered population.

## Risk-based Contracting with Providers: CalPERS Pilot

- ACO-like program with Hill Physicians, Catholic Healthcare West and Blue Shield of California for state employees in Sacramento.
- Providers and Blue Shield jointly committed to zero cost increase between 2009 and 2010 for ACO-based HMO product.
- A three-way shared-risk global payment was instituted to encourage coordinated care between the physicians, hospitals and the health plan
- 2010 results: \$15.5M in savings shared with state (17% reduction in readmissions; 14% in total IP days)

## Risk-based Contracting with Providers: Maine SEHC

- Maine State Employee Health Commission (SEHC) negotiated a risk agreement with one large hospital provider and its affiliated physicians – at the provider's initiative after the state told the provider it would be removed from the preferred tier in the state's tiered network. SEHC has since added a second memorandum of understanding with a second health system.
- \$1 million dollars was placed at-risk by the provider
- Savings will be calculated by comparing the trend rate to a control group defined using statewide data

## Questions